

## CHINA – THE RISING DRAGON: HOW SHOULD THE U.S. RESPOND?

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USAWC STRATEGY RESEARCH PROJECT

**CHINA – THE RISING DRAGON: HOW SHOULD THE U.S. RESPOND?**

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## **ABSTRACT**

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## China – The Rising Dragon: How Should the U.S. Respond?

China's emergence as a global power has profound implications for the security and economic interests of the United States. However, the United States still has a very imperfect understanding of China's power and motivations or how the rest of the world is responding to China's integration.

—Congressional Research Service<sup>1</sup>

The People's Republic of China (PRC) has connected with almost every continent and region in the world during its meteoric rise to an economic global superpower. Over the past 30 years, China has become an international export powerhouse, increased foreign investment, amplified its technological base and expertise, boosted membership and involvement in international organizations, and has appeared to be willing to play by the rules of the global economic system.

A question of great strategic importance to the United States is: What has motivated China to become this colossal global economic power? Is China motivated merely by economic imperatives, or does it have a desire for global dominance? Does China have an overarching grand strategy, or is it executing a series of marginally related tactical moves to seek normal economic or political advantages? How should the U.S. respond to China?

This paper argues that China is motivated primarily by economic imperatives. China has a massive population that must be fed, clothed, and employed. The need for jobs, along with the increased demand for natural resources in a country without a vast supply of either jobs or resources has forced China to "open up" to the world. However, China's use of all its elements of national power to support its economic imperatives has caused many in the international community to question China's motivation.

### China's Strategy for the Future

China "peaceful rise" strategy was first introduced in 2004, and became its formal national strategy the following year.<sup>2</sup> It outlines China's desire to maintain trade and economic exchange with "friendly countries", while "developing itself and safeguarding world peace." Foreign Minister Li Zhaoxing indicated that "China does not seek hegemony now, nor will it even after it becomes powerful." Zhaoxing added that China's rise would offer opportunities rather than posing obstacles and threats to its neighbors and the world at large.<sup>3</sup> The Chinese government has since changed the term "peaceful rise" to "peaceful development" to emphasize the non-threatening nature of China's global expansion.<sup>4</sup>

Many experts in Chinese relations indicate that the Chinese Communist Party (CCP) is highly motivated to keep the population employed. "The legitimacy of the government is derived primarily from its ability to stimulate and maintain economic growth, which in China is synonymous with employment."<sup>5</sup> An unhappy, unstable populace could become disastrous not only for the Party, but for the continued stability of the nation. China must maintain economic growth to support its huge population. To accomplish this, the Chinese government also must maintain a certain level of political power to ensure its credibility, while at the same time securing its national interests, both inside its borders and around the world.

### China's Major Challenges

The Chinese government faces many challenges that directly impact the country's economic development and stability. Although these challenges have not

slowed its tremendous economic growth in the past, they may combine with the effects of the global recession to cause concern for China in the future.

*Population/Political Stability.* China has a huge population which requires a robust economy for sustainment. The estimated population in July 2008 was 1.33 billion,<sup>6</sup> and is projected to reach 1.38 billion by 2010, and 1.49 billion by 2025. This equates to approximately two million new workers entering the labor force each year.<sup>7</sup> China must sustain adequate job growth not only for these new entrants to the work force, but also for the tens of millions of workers laid off from state-owned enterprises, and for over 200 million rural migrants that relocated to the urban areas for employment over the last decade. China officially has a four percent unemployment rate; however, many Chinese economists indicate that unemployment in urban areas may actually be closer to 11 or 12 percent.<sup>8</sup> Workers over 30 are considered too old to train in factory jobs or in high-tech industries, severely limiting the options of these “older” workers, and leaving them to a life of poverty.<sup>9</sup> The government will need to train this labor force or face a drain on their resources in providing social welfare for these people.

In addition, China will soon face the challenges of an aging population, exacerbated by China’s “one-child” policy, which gives China one of the lowest fertility rates in the world. The impact is compounded by increased longevity in the older generations due to breakthroughs in public hygiene, nutrition and health care. This will result in almost twice as many people over age 50 than under age 20 by the year 2050.<sup>10</sup>

China does not have a retirement system to provide for this growing demographic group with only 55 percent of the urban workforce, and 11 percent of the

rural workforce covered by a pension plan.<sup>11</sup> Currently, the older Chinese population depends on their children for support. This creates a nearly impossible problem for children born under the “one-child” policy – each adult child will be responsible for supporting themselves, their two parents, and four grandparents.<sup>12</sup> The PRC will soon face a dilemma of needing higher wages so workers can cover the expenses of the elders in their family, or drain the government coffers to pay for the needs of the older population.

China still has a tremendous poverty problem. The 2008 per capita GDP, adjusted to represent purchasing power parity (PPP) was \$6,100. Measured on the basis of PPP, China in 2008 was the second-largest economy in the world after the U.S.; however the population was still predominantly in the lower middle-income bracket. Eight percent of the country’s population was below the poverty line. The majority of the impoverished people live in the rural parts of the country.<sup>13</sup>

The preponderance of the recent economic development has been on the eastern coastal part of China. The interior, which is predominantly rural, lags behind creating a geographical imbalance. The Chinese government plans to correct this problem by providing vocational training for agricultural and migrant workers, and also calls for “alleviating poverty through making innovations in working mechanisms, substituting work for relief, and relocating people from inhospitable areas to reduce the size of the poor population.”<sup>14</sup> This strategy could work, but also has the potential to backfire. If there are not enough jobs available to employ retrained Chinese farmers, this could result in a significant increase in the number of dislocated poor people.

*Corruption.* Corruption and other economic crimes present a challenge to future growth. Carnegie Endowment for International Peace scholar Minxin Pei considers corruption to be one of China's top threats to its future economic and political stability. Pei estimates that approximately 10 percent of government spending and contracts involve theft, kickbacks and bribes. The direct costs of corruption could be as much as \$86 billion a year (3 percent of the GDP).<sup>15</sup> The CCP's campaign to reduce corruption, initiated in 2005, appears to be ineffective. Continued corruption may be due to the government's inability or unwillingness to enforce anti-corruption laws through the legal system, or corruption may be culturally ingrained in the Chinese system. Pei argues that corruption must be under control for China's continued economic and political stability.<sup>16</sup>

*Energy Resources.* China has a tremendous appetite for energy that it cannot meet with its own resources.<sup>17</sup> The PRC currently imports 47 percent of its energy requirements.<sup>18</sup> The country's energy demands rose 80 percent from 1995 - 2005, and are expected to continue to rise at an annual rate of four to five percent through at least 2015.<sup>19</sup>

The Chinese government cannot ignore the importance of access to energy resources, specifically oil, necessary to fuel China's economic growth. "China is the world's second-largest consumer of oil behind the United States, and the third-largest net importer of oil."<sup>20</sup> China has gone beyond importing refined products, expanding its search for new sources of oil and gas across the world. The PRC currently has inked agreements with at least 21 countries spanning four continents to discover, refine, or transport oil.<sup>21</sup>

*Deterioration of the Environment.* Air pollution, soil erosion, and the steady fall of the water table are some of the environmental issues plaguing China. The World Bank states that “China has 20 of the world’s top 30 polluted cities,” and attributes its use of coal and poor pollution controls on automobiles as a major source of its troubles.<sup>22</sup> Recent natural disasters such as earthquakes, snow and ice storms have raised issues about the country’s ability to recover from disasters.<sup>23</sup>

### What Motivates China?

The Chinese government is motivated primarily by economic imperatives. The CCP must sustain economic growth in spite of the challenges described above. This is the main incentive that has forced China to create a socialist market economy and raise the bamboo curtain to allow a certain degree of openness. However, the Chinese government has appeared to have taken heed of the negative consequences experienced by the former Soviet Union when the U.S.S.R. attempted to immediately transform itself from a government controlled economy to a totally free market economy. The communist party has remained in control of the strides that the People’s Republic of China has made, much like a parent holding on to a child learning to walk.

Different analysts have varying ideas whether China is actually following a grand strategy or if China’s moves are coincidentally related. Avery Goldstein defines China’s peaceful development strategy as “a combination of globally engaged economic development, prudent military modernization and deft diplomacy.” Goldstein also argues that China is taking a conservative and cautious approach to building its grand strategy.<sup>24</sup> In contrast to the United States, which uses economic factors as one element

of national power to support its grand geo-political strategy, it appears that China's "grand strategy" is designed to support its economic imperatives.

*Diplomatic/Information.* China is seeking to raise its international stature through bilateral agreements and through increased involvement in existing multilateral organizations.<sup>25</sup> The world is learning about Chinese language and culture through a global network of "Confucius Institutes." There were only six institutes in 2004 when the program was first established by the Chinese government; there are now over 200 Confucius Institutes in over 60 countries worldwide.<sup>26</sup> These schools are primarily located at Universities and Colleges throughout the world, giving college graduates a foundation in Chinese language and culture, thus enabling an even larger exchange of friendship and trade with China. China continues to fund these institutes to cultivate favorable world public opinion.

China is also working hard to resolve border disputes and initiate friendly alliances with its neighbors. Russia and China signed an agreement in July 2008, ending a long dispute over their common border.<sup>27</sup> This friendly resolution appears to be the start of China's desired access to Russian energy sources. India and China signed a similar agreement in 2005, ending their forty year dispute over a common border.<sup>28</sup>

China and Taiwan are still at odds over Taiwan's independence, however relations between the two countries seem to be "better than they have ever been," evidenced by the gift of two pandas to Taiwan in January 2009, the recent establishment of daily direct flights initiated between Beijing and Taipei in December 2008, and the November 2007 agreement to open shipping and postal routes between

the two countries.<sup>29</sup> The two countries are currently in the process of negotiating a free-trade agreement.<sup>30</sup> China will continue to build global diplomatic and political ties if only to cement relationships to support its continued economic growth.

*Military/Global Security.* China is modernizing its military and refocusing its military missions. Over the past two years the Chinese military has increased the scope of its missions from its former emphasis on homeland security and police forces to include “disaster and humanitarian relief, United Nations (U.N.) peacekeeping missions, counterterrorism and border defense, and protection of ethnic Chinese abroad.”<sup>31</sup> It appears that China is positioning itself to employ its military assets to best support its economy and its energy requirements, while aligning itself with new allies. Many of China’s neighbors, however, are closely watching the expansion of China’s military assets with a certain amount of wariness.

According to China’s 2009 *White Paper on National Defense* the mission of China’s armed forces is “to safeguard national sovereignty, security and development, taking reform and innovation as its fundamental driving force, and advance in the modernization of its national defense and armed forces.”<sup>32</sup>

The Chinese government claims its policy is “purely defensive.” China must defend its own national security while at the same time be prepared to deal with the volatile, uncertain, complex and ambiguous world. The Chinese government indicates that it faces serious concerns including, “the superiority of the developed countries in economy, science and technology, and military affairs; strategic maneuvers and containment from the outside; disruption and sabotage by hostile forces on the inside.” The CCP’s white paper cites specific threats such as the United States selling arms to



Taiwan, and “the impact of the financial crisis triggered by the U.S. subprime mortgage crisis.”<sup>33</sup>

The People’s Liberation Army (PLA) is in need of modernization. During the 1970’s and 1980’s China downsized its armed forces by a million troops. This was followed by another reduction of 700,000 personnel over the next decade.<sup>34</sup> China now faces the dilemma of how to close the gap between the armed forces that it has and the armed forces it thinks it needs without diverting resources from economic and social programs. China’s strategy for the modernization of the PLA includes changing both the structure and policies of the organization. This includes the need for the development of new doctrine, which they are churning out on an ongoing basis. There is also the need for training, modernization and automation of weapons systems, research and development for new weapons systems, and improving logistics.<sup>35</sup>

China’s 2008 National Defense budget was \$44 billion.<sup>36</sup> This is about 7.5 percent of the total national budget, and equates to about 15 percent of the United States’ defense budget.<sup>37</sup> The 2009 national defense budget of \$61 billion includes an 18 percent increase and is attributed to the increase in pay and entitlements for the 2.3 million members of the People’s Liberation Army, civilian personnel, and retirees, as well as research and development on weapons hardware.<sup>38</sup> Members of the U.S. intelligence community are concerned with China’s lack of transparency, indicating the PRC’s budget numbers are “understated by about 50 percent.”<sup>39</sup> Others indicate that the PRC’s “defense spending since the 1990s has gone up at a growth rate that exceeds the GDP growth rate.” There has also been apprehension over the oath of

office that members of the PLA take – not only to protect the PRC, but also to specifically protect the Chinese Communist Party.<sup>40</sup>

China emphasizes its peaceful intentions by citing the PLA's participation in U.N. peacekeeping efforts, sending 11,063 military personnel to take part in 18 U.N. peacekeeping missions, since 1990.<sup>41</sup> These large deployments have made China the 12<sup>th</sup> largest contributor of personnel to U.N. peacekeeping missions.<sup>42</sup> China also sent two battleships and a supply ship to help with U.N. efforts combating piracy off the Horn of Africa. This is the first time in over 500 years the Chinese Navy has operated outside regional waters.<sup>43</sup>

China continues to cement its military position with the establishment of cooperative military agreements with over 150 countries. The Chinese Defense Minister has a direct telephone link with the defense ministers of both Russia and the United States. During the years 2007 and 2008, China participated in joint exercises with Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Thailand, India, the United Kingdom, France, South Africa, and the United States. Additionally, China has sent over 900 military students to study in more than 30 countries, and some 4,000 military personnel from over 130 countries have gone to study in China.<sup>44</sup>

*Economics and Resources.* China's major objective appears to be the sustainment of its own economic growth, and improving the quality of life for its huge population. The CCP is motivated to keep the population fed and economically solvent to maintain stability for the party to remain in power. So far, the economic challenges that the country has faced have threatened neither the political leadership nor national stability.<sup>45</sup>

China's economic system has evolved radically over the past thirty years. The economic system of the People's Republic of China under Chairman Mao Zedong was a planned economy controlled entirely by the state. China began a series of economic reforms to transition the country to a more open system as early as 1979. A major breakthrough occurred in 1997 when the government acknowledged the importance of the private sector and began to encourage profitability. The 1999 constitution introduced the term "socialist market economy" as an economy "based on socialism with Chinese characteristics."<sup>46</sup> The Chinese government predicts that a complete socialist market economy will be in place by 2010.<sup>47</sup> China's official economic strategy is intertwined with its strategy for social development, and is based on a five year cycle. The government conducts an annual progress review which not only assesses the previous year, but also reassesses the goals for the upcoming year, making adjustments based on the actual status of the economy.<sup>48</sup>

*Economic Accomplishments.* China's economy has been credited as being the fastest growing in the world over the past thirty years, with a GDP that has increased tenfold.<sup>49</sup> The Chinese government claims 2007 as its most successful year in achieving both economic and social goals with a GDP growth rate of 13 percent, the highest in over a decade.<sup>50</sup> Due to the increased openness of China's economy, the country's 2007 export and import business reached US\$2.2 trillion, up 23.5 percent from 2006, a direct effect of China's entry into the World Trade Organization. The official Chinese Economic and Social Strategy credits many social improvements, specifically in the quality of life for the Chinese people as well as a reduction in poverty as a result of the thriving economy.<sup>51</sup>

*Economic Relationships.* China has established, or attempted to establish trade relationships with hundreds of countries in every region around the world. The Chinese government has incentivized trade by reducing barriers for foreign investment in China, while at the same time increasing its own direct foreign investment overseas.<sup>52</sup> China has been an active participant in the International Monetary Fund and the World Bank since entry into both organizations in 1980, with one of the largest portfolios in the World Bank.<sup>53</sup> China has also pursued bilateral and/or multilateral economic agreements with nearly every country and region in the world and is active in many countries where there are no formal agreements.<sup>54</sup>

The economies of the United States and China are virtually codependent. The United States is China's largest trading partner, while China is the third largest trading partner of the United States and the second largest source of U.S. imports. China exported \$232.7 billion to the U.S. in 2007; and received \$69.4 billion in imported goods and services from the U.S. during the same year.<sup>55</sup> In addition, China is the largest foreign creditor to the United States, holding \$2 trillion of U.S. assets.<sup>56</sup>

The two countries have worked diligently at maintaining a cooperative relationship since the early 1970's. One fairly effective forum used to develop short and long term strategies is the U.S. – China Strategic Economic Dialogue (SED), which has been held annually since 2004. The most recent meeting of this cabinet level forum was held in Beijing in December 2008, jointly chaired by U.S. Treasury Secretary Henry Paulson and Chinese Vice Premier Wang Qishan.<sup>57</sup> Areas of joint concern addressed at the conference included the need for a global response to the current economic and financial situation, the current market turmoil and restructuring of risk in global markets,

several joint efforts to promote energy security and improved environmental standards, improvement of food and product safety, and advancing open trade and investment.<sup>58</sup>

*Efficiency in a Transitioning Economy.* Although China's economy was still ranked second in the world in 2008, the country's previously phenomenal rate of GDP growth began to decline.<sup>59</sup> China's growth slowed from the previous rate of 11 to 13 percent in 2007 to 6.8 percent in the fourth quarter of 2008 (the slowest quarterly rate since 2003 and the lowest annual GDP since 2001).<sup>60</sup> Inflation appears to be another major concern for the Chinese economy. The Consumer Price Index (CPI) rose 6 percent in 2008, exceeding the 4.8 percent target.<sup>61</sup>

*The Global Recession.* Globalization has caused the current economic recession to spread around the world at epidemic speed and China has not been immune. China's ownership of \$652.9 billion in U.S. Treasury securities became less of a good deal when interest rates began to fall. This has been compounded with a decline in the foreign demand of Chinese goods, causing factory closures and employee lay offs.<sup>62</sup>

One of China's attempts to offset the impact of the global recession is through a \$586 billion stimulus plan.<sup>63</sup> The plan is to be implemented over two years, and will be executed by reducing credit restrictions, expanding health care and social welfare programs, increasing the construction of affordable housing, roads, railways, airports, and restoration of earthquake damaged infrastructure.

This follows previous actions by the Chinese government during the third quarter of 2008 to cut interest rates, lower bank reserve ratio requirements, provide export tax rebates and abolish the tax on stock purchases. The government also provided

residents in rural areas with subsidies to purchase household items like refrigerators and television sets.<sup>64</sup>

The international community needs to be concerned with China's recession issues. David Smick discussed the magnitude of China's impact, "If the bubble bursts in China, there are two scenarios. One is global deflation. If China is sitting on huge stockpiles of commodities and finished goods, they'll dump them on markets. You could also have the Chinese withdraw capital from around the world to buy off domestic constituencies with programs to stimulate domestic demand. We need a successful China."<sup>65</sup>

China does not intend to allow the global recession to cause their economic failure. During the January 2009 World Economic Conference, Chinese premier Wen Jiabao stated, "China's economy will continue to grow fast and steadily, which is in itself an important contribution to global financial stability and world economic growth." Mr. Jiabao pointed out that China's economy managed to maintain economic growth in 2008 while at the same time recovering from two massive natural disasters.<sup>66</sup>

China will continue to pursue agreements with countries and regions throughout the world to reach the goal of improving the PRC's economic status, and solidifying its position as a global player.

#### Case Study – China's Involvement in Africa

China's grand strategy of employing all elements of power to serve economic objectives is evident in Africa. China's involvement in Africa is indicative of its motivation towards the rest of the world.

The Chinese government's 2006 document, "China's African Policy," is the foundation for The Forum on China – Africa Cooperation (FOAC), which has sought to build "mutually dependent economic development, trade cooperation and political relations with Africa."<sup>67</sup> This partnership between China and 48 African countries seeks "political equality and mutual trust, economic win-win cooperation and cultural exchanges."<sup>68</sup> China uses each FOAC gathering to showcase the concrete benefits that Africa is deriving from China.

*Diplomatic/Information.* During the 2006 Forum, Chinese President Hu Jintao announced eight major new initiatives to strengthen the Sino-African partnership.<sup>69</sup> China maintains an embassy in every African country, except Somalia. These posts are manned by teams of diplomats who are conversant in local African dialects.<sup>70</sup> Africans can learn Chinese language and culture through eleven Confucius institutes, as well as through educational exchanges. Currently China has student exchanges with 50 African countries, providing 1200 government scholarships to African students a year.<sup>71</sup> China's friendly relations with the African people have the advantageous reciprocation of trade exchanges resulting in valuable natural resources for the Chinese.

The PRC has maintained a strong diplomatic relationship with the African Union (AU) by attending key AU summit meetings in 2006, 2007 and 2008. In November 2008 the ground-breaking of the \$100 - \$500 million Chinese funded AU headquarters received wide spread media coverage.<sup>72</sup>

*Military.* Currently, China maintains limited military resources in Africa – namely peacekeeping troops, and ships off the Horn of Africa to combat piracy and ensure safe passage of Chinese vessels. China also provides training for African military officers.<sup>73</sup>

Recent testimony before the U.S. Senate Committee on Foreign Relations indicated that China might consider increasing its military presence in Africa.

Several factors are prompting a growing interest in the need for broader engagement: the safety of Chinese workers, who have been abducted and killed in southern Sudan, Nigeria, Zambia, Ethiopia, and Chad; the increasing presence of India, which has a strong and growing naval presence in maritime shipping lanes; concern over the security of Chinese supply lines; and the U.S. AFRICOM initiative, which some Chinese military experts argue is directed at China's growing role in the region.<sup>74</sup>

Africa also purchases a large supply of its arms from the PRC. China is estimated to have been the “third largest exporter of conventional and small arms to Africa” from 2003 – 2006.<sup>75</sup>

*Economics.* China receives great economic benefits from its use of the other elements of power. Africa is a very appealing trade partner for China – primarily due to its large stock of natural resources – specifically copper, timber and oil, which are critical for China's continued economic growth. In turn, China provides the African countries with low cost imports, as well as foreign aid and loans without the “pesky human rights conditions, good governance requirements, approved-project restrictions, and environmental quality regulations” that the United States and other Western governments mandate prior to making government investments or granting foreign aid or loans.<sup>76</sup> This relationship has resulted in a trade increase between China and Africa from \$10 billion in 2001 to \$106.8 billion in 2008.<sup>77</sup> Much of China's investment in Africa is tied to aid and loan packages structured by the Chinese government. For example, China entered into a \$9 billion trade agreement with the Congo that gives China the resource rights to copper, cobalt and nickel mines in exchange for assistance in infrastructure development.<sup>78</sup>



China's African policy indicates an even greater increase in future Sino-African trade. Some suggested actions include increasing free trade agreements, bilateral agreements, exchanges between financial institutions, Sino-African agricultural exchanges, Chinese participation in building African infrastructure, Sino-African tourism exchanges, Chinese financial assistance to Africa without "political strings", and multilateral cooperation to help Africa realize its Millennium Development Goals.<sup>79</sup>

China's actions in Africa appear to mirror their actions globally. China assists its African allies through the use of all elements of national power to maintain strong relationships with the continent. These "friendly" relationships are essential to maintain trade agreements to ensure the flow of resources to China, and to ensure jobs for the Chinese people. The strides that China has made to cement relationships within Africa are indicative of how China will interact with the rest of the world.

#### How Should the United States Respond to China?

The U.S. response to China needs to support the National Security Strategy objectives of promoting free and fair trade, maintaining relations with the most powerful countries in the world, and "preventing the reemergence of the great power rivalries that divided the world in previous eras."<sup>80</sup>

#### Options

The United States has two fundamental options to respond to China's global expansion and ensure the achievement of U.S. objectives. Both options require the incorporation of all the elements of national power.

*Competitive Option.* The United States can hedge against China's growing competitive role in the world by increasing U.S. dominance in Asia to contain China's

increasing power in the region. The U.S. would need to increase its presence in all elements of national power: enhance our diplomatic alliances in the region; ramp up an extensive information campaign to emphasize the influence that we have in the region; increase joint military exercises with Asian countries to reflect the strength of U.S forces in the Pacific region; and counter China's economic dominance in the region. The United States would target areas where China is most vulnerable. That could include action through the International Monetary Fund against China's currency manipulation as well as through the WTO against China's lack of transparency, issues regarding lack of intellectual property rights, and shortfalls regarding human rights, civil rights and religious freedoms.

The U.S. could contain the rising dragon by strengthening our ties with traditional U.S. partners in the region (Japan, Taiwan, South Korea, Thailand, Australia), and with India. An increased U.S. political, diplomatic, economic and military dominance should result in checking China's dominance.

#### *Cooperative Option - Work Together with China in Areas of Common Interest*

It is in the best interest of the United States to cooperate and engage with China, supporting China's economic goals, and help China to integrate into the prevailing global system as a "responsible stakeholder."<sup>81</sup> This needs to occur not only because of the linkage between the two countries' economies, but also because a poor economy in China could result in an unstable and very dangerous China. The approach outlined in the National Security Strategy is to "encourage China to make the right strategic choices."<sup>82</sup> This option would concentrate on U.S. joint collaboration with China on interests that are common to all parties.

There are plenty of opportunities for U.S. – Chinese cooperation on projects in the areas of common interests. Some areas that are natural for collaboration include climate change, managing pandemics, expanding agriculture, developing clean and sustainable energy sources, ensuring the security of energy personnel, infrastructure, transportation, slowing the spread of nuclear materials, and maintaining an open world economy. Partnering with China on joint military humanitarian missions would solidify the U.S. intent to work peacefully with the PRC. Chinese Premier Wen Jaibao opened the door to cooperation with the Obama administration during a February 2009 interview, “The priority of the two countries (China and the U.S.) should be working together to fight the financial crisis.”<sup>83</sup>

The cooperative option would require a concentrated effort using all elements of power: diplomatic, information, military and economic to reassure China that cooperation with the United States will benefit China’s interests. This option would require not only bilateral agreements with China, but also multilateral agreements between the U.S., China, and countries in Asia, Africa, South America and the Middle East.

The United States is already working hard to embrace China. The opening of the new U.S. embassy in China and the Chinese embassy in the United States in the summer of 2008 was a great start towards a positive working relationship. President Obama is continuing the relationship by expressing his willingness to cooperate with Chinese President Hu Jintao early in his term of office.<sup>84</sup>

China and the United States already have a co-dependent economic relationship. China’s addition to the G-20 economic group has opened another door to cooperation

with China, and another forum for discussions. A move to include China in the G-8 would go even further to build on this partnership.

### Conclusion

China's main goal in global expansion appears to be primarily economic, based on the requirement to maintain its huge population, and to improve the quality of life for the Chinese citizenry. China needs a peaceful world environment to sustain its consumption of resources and technology required to maintain its "economic trajectory."<sup>85</sup> However, the political and military side-effects of this goal should not be completely ignored, despite the Chinese claim that, "China will never seek hegemony or engage in military expansion now or in the future, no matter how developed it becomes."<sup>86</sup>

The Obama administration should maintain the U.S. policy of cooperation to achieve common interests as the PRC further integrates into the global system. While China is clearly at the forefront of global economic expansion, India, and in some cases, Russia, are close behind. A U.S. strategy designed to cultivate a partnership with China should account for future challenges and opportunities posed by other rising global powers.<sup>87</sup> It is in the best interest of the United States for China to remain economically solvent. Cooperation with China can only result in a win-win situation for both countries in the future. "China is more likely to act as an international stakeholder if the U.S. frames U.S. – China issues objectively, initiates serious efforts to address them, and credibly signals a willingness to engage in long term bilateral cooperation."<sup>88</sup>

According to Joseph Nye, "Whether soft power produces behavior that we want will depend on the context and the skills with which the resources are converted into

outcomes.”<sup>89</sup> A cooperative U.S. approach to China provides the ways and means to convert our resources into outcomes -- the stated objectives of a national response to China. Additionally, the United States has already launched initiatives that support this policy. China is already a dominant global power. U.S. cooperation with this “giant dragon” can only be of benefit for the future of both China and the United States.

## Endnotes

<sup>1</sup> Congressional Research Service, Library of Congress, *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa* (Washington, DC: U.S. Government Printing Office, April 2008), vii.

<sup>2</sup> Xinhua News Agency, “Backgrounder: China's Road of Peaceful Rise,” April 23, 2004, <http://www.highbeam.com/doc/1P2-16575751.html> (accessed February 1, 2009).

<sup>3</sup> Information Office of the State Council of the People's Republic of China, “China's Peaceful Development Road,” December 12, 2005, <http://www.china.org.cn/english/features/book/152684.htm> (accessed February 1, 2009).

<sup>4</sup> Ashley J. Tellis and Michael Wills, *Domestic Political Change and Grand Strategy* (Seattle, WA: The National Bureau of Asian Research, 2007), 30.

<sup>5</sup> Stratfor Global Intelligence, “Geopolitical Diary: For China, Grim Data and a Grimmer Economy,” January 23, 2009, [http://www.stratfor.com/geopolitical\\_diary/20090122\\_geopolitical\\_diary\\_grim\\_economic\\_data\\_and\\_grimmer\\_economy](http://www.stratfor.com/geopolitical_diary/20090122_geopolitical_diary_grim_economic_data_and_grimmer_economy) (accessed January 26, 2009).

<sup>6</sup> CIA – *The World Fact book – China*, January 22, 2009.

<sup>7</sup> Stratfor Global Intelligence, “Geopolitical Diary: For China, Grim Data and a Grimmer Economy,” January 23, 2009.

<sup>8</sup> Bergsten, Gill, Lardy and Mitchell, *China: The Balance Sheet*, 32.

<sup>9</sup> Robyn Meredith, *The Elephant and the Dragon*, (New York: Norton, 2008), 147.

<sup>10</sup> The International Institute for Applied Systems Analysis, “China's Population by Age Groups,” [http://www.iiasa.ac.at/Research/LUC/ChinaFood/data/pop/pop\\_7.htm](http://www.iiasa.ac.at/Research/LUC/ChinaFood/data/pop/pop_7.htm) (accessed November 30, 2008).

<sup>11</sup> C. Fred Bergsten, Bates Gill, Nicholas R. Lardy, and Derek Mitchell, *China: The Balance Sheet* (New York, NY: Public Affairs, 2006), 53. Bergsten, Gill, Lardy and Mitchell, *China: The Balance Sheet*, 53.

<sup>12</sup> It is estimated that by the year 2025, there will be over 200 million people over the age of 65. Taken from Meredith, *The Elephant and the Dragon*, 153.

<sup>13</sup> CIA – *The World Factbook – China*, January 22, 2009. This includes the 21.5 million Chinese living in rural parts of the country that live below the official “absolute poverty” line and an additional 35.5 million rural population that were above that but still below the official “low income wage.”

<sup>14</sup> *The Central People’s Government of the People’s Republic of China Home Page*, (accessed November 30, 2009).

<sup>15</sup> Minxin Pei, “Corruption Threatens China’s Future,” *Carnegie Endowment for International Peace Policy Brief 55*, October 2007: 3. Mr. Pei is the director of the China Program at the Carnegie Endowment for International Peace and an expert on China’s economic reform.

<sup>16</sup> *Ibid.*, 1.

<sup>17</sup> The only natural resource that China has an adequate supply of is coal, which is the main source of China’s hydroelectric power. Taken from: CIA – *The World Factbook – China*, January 22, 2009.

<sup>18</sup> Xinhua News Agency, “Analysis of China’s Energy Import and Export,” March 26, 2007, <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=58471&nav02=57277&nav01=57272> (accessed January 14, 2009).

<sup>19</sup> This is in contrast to the one percent annual rate of increase in energy demands for most industrial countries. Taken from Bergsten, Gill, Lardy, and Mitchell, *China: The Balance Sheet*, 33.

<sup>20</sup> U.S. Energy Information Administration, “Country Analysis – China,” August 2006, <http://www.eia.doe.gov/cabs/China/Background.html> (accessed January 14, 2009).

<sup>21</sup> Brazil, Ecuador, Bolivia, Colombia, Venezuela and Cuba in South and Central America; Kazakhstan, Uzbekistan, Turkmenistan and Russia in Eastern Europe; Burma, Vietnam, Indonesia, and Malaysia in Asia; Sudan, Nigeria, Equatorial Guinea, Kenya, and Niger in Africa; Iran, Iraq and Syria in the Middle East; Canada in North America have all agreed to energy trade agreements with China. Taken from U.S. Energy Information Administration, “Country Analysis – China,” August 2006.

<sup>22</sup> *The World Bank Home Page*, (accessed January 15, 2009).

<sup>23</sup> *The Central People’s Government of the People’s Republic of China Home Page*, (accessed November 30, 2009).

<sup>24</sup> Avery Goldstein, *Rising to the Challenge: China’s Grand Strategy and International Security* (Palo Alto: University Press, 2005), 193.

<sup>25</sup> Multilateral organizations that China has joined include the Asia Pacific Economic Cooperation (APEC) forum, the ASEAN Regional Forum, the Forum for East Asia and Latin

American Cooperation, the Organization of American States, the East Asia Summit, the Shanghai Cooperation Organization, and the Forum on China-Africa cooperation Forum.

<sup>26</sup> *The Central People's Government of the People's Republic of China Home Page*, (accessed November 30, 2009).

<sup>27</sup> Li Xiaokun, "China, Russia Sign Border Agreement," *China Daily*, July 22, 2008, [http://www.chinadaily.com.cn/china/2008-07/22/content\\_6865847.htm](http://www.chinadaily.com.cn/china/2008-07/22/content_6865847.htm) (accessed March 7, 2009).

<sup>28</sup> "Sino-Indian Accord to Solve Border Dispute, Boost Trade," *China Daily*, April 12, 2005, [http://www.chinadaily.com.cn/english/doc/2005-04/12/content\\_433484.htm](http://www.chinadaily.com.cn/english/doc/2005-04/12/content_433484.htm), (accessed March 7, 2009).

<sup>29</sup> Calum MacLeod, "China-Taiwan Relations Become Bearable," *USA Today.com*, January 25, 2009, [http://www.usatoday.com/news/world/2009-01-25-china-taiwan\\_N.htm?loc=interstitialskip](http://www.usatoday.com/news/world/2009-01-25-china-taiwan_N.htm?loc=interstitialskip) (accessed February 1, 2009).

<sup>30</sup> Ariana Eunjing Cha, "Taiwan, China Negotiating a Landmark Free-Trade Agreement," *The Washington Post*, February 21, 2009, A9.

<sup>31</sup> Marc Miller, "PLA Missions Beyond Taiwan," October 27, 2008, <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=897> (accessed January 29, 2009).

<sup>32</sup> Chinese Communist Party, "White Paper on National Defense," January 20, 2009, [http://www.china.org.cn/government/central\\_government/2009-01/20/content\\_17155577.htm](http://www.china.org.cn/government/central_government/2009-01/20/content_17155577.htm), (accessed January 26, 2009).

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> The "White Paper on National Defense" also outlines the requirement for PLA officers to receive in-depth training on the CCP's political theories ideological guidance in a 3/7 ratio of political education to military training.

<sup>36</sup> *China Today.com*, <http://www.chinatoday.com/arm/> (accessed January 15, 2009).

<sup>37</sup> Bergsten, Gill, Lardy, and Mitchell, *China: The Balance Sheet*, 4.

<sup>38</sup> Gordon Fairclough and Loretta Chow, "Pentagon Feels Chill Set in with China as Beijing Reacts to U.S.-Taiwan Deal," *The Wall Street Journal*, October 8, 2008.

<sup>39</sup> *International Relations and Security Network Homepage*, "China: New Defense Posture," February 2, 2009, <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?lng=en&id=95974> (accessed February 4, 2009).

<sup>40</sup> Ashley J. Tellis and Michael Wills, *Domestic Political Change and Grand Strategy*, 34.

<sup>41</sup> Chinese Communist Party, "White Paper on National Defense," January 20, 2009, [http://www.china.org.cn/government/central\\_government/2009-01/20/content\\_17155577.htm](http://www.china.org.cn/government/central_government/2009-01/20/content_17155577.htm), (accessed January 26, 2009). There were 1,949 members of the PLA serving in nine U.N. missions located in the Congo, Liberia, Sudan, Lebanon and Darfur in November 2008 alone.

<sup>42</sup> Marc Miller, "PLA Missions Beyond Taiwan."

<sup>43</sup> Chinese People's Liberation Army, *China Military Online Homepage* (accessed January 15, 2009).

<sup>44</sup> The Chinese government officially opposes the proliferation of weapons of mass destruction (WMD) and actively participates in international non-proliferation efforts. The national defense policy states that China will "never be the first to use nuclear weapons, and never enter into a nuclear arms race with another country." China is an active participant in the Conference on Disarmament, and willingly cooperates with the requirements of the Chemical Weapons Convention. Chinese Communist Party, "White Paper on National Defense," January 20, 2009, [http://www.china.org.cn/government/central\\_government/2009-01/20/content\\_17155577.htm](http://www.china.org.cn/government/central_government/2009-01/20/content_17155577.htm), (accessed January 26, 2009).

<sup>45</sup> Bergsten, Gill, Lardy, and Mitchell, *China: The Balance Sheet*, 7.

<sup>46</sup> Wang Gungwu and John Wong, *China: Two Decades of Reform and Change*, (Singapore: World Scientific, 1999), 44.

<sup>47</sup> *The Central People's Government of the People's Republic of China Home Page*, <http://english.gov.cn> (accessed November 30, 2008).

<sup>48</sup> The current plan encompasses the years 2006 – 2010. The most recent information available on the Chinese Government's official English language website was posted in March 2008. The posting includes a report on the implementation of the 2007 Plan for Economic and Social Development, and a draft of the 2008 plan.

<sup>49</sup> , Bergsten, Gill, Lardy and Mitchell, *China: The Balance Sheet*, 18.

<sup>50</sup> Xinhua, "China Revises 2007 GDP Growth Rate Up to 13%," January 14, 2009, [http://www.chinadaily.com.cn/bizchina/2009-01/14/content\\_7396386.htm](http://www.chinadaily.com.cn/bizchina/2009-01/14/content_7396386.htm) (accessed January 25, 2009).

<sup>51</sup> *The Central People's Government of the People's Republic of China Home Page*, (accessed November 30, 2008).

<sup>52</sup> *CIA – The World Factbook – China*, January 22, 2009, <https://www.cia.gov/library/publications/the-world-factbook/print/ch.html> (accessed February 1, 2009). An estimated 5,000 domestic Chinese enterprises had established direct investments in 172 countries and regions around the world at the end of 2007.

<sup>53</sup> Ibid.

<sup>54</sup> Countries and regions that have completed bilateral free trade agreements (FTA)s with China include Canada, the European Union, the Association of Southeast Asian Nations



(ASEAN), Hong Kong & Macau, Singapore, Peru, Chile, Senegal, New Zealand. Thailand has a partial trade agreement with China. Additionally, China is in the process of negotiating FTAs with another nine countries and regions, specifically Australia, Pakistan, the Southern Africa Customs Union, the Gulf Cooperation Council, Brazil, Iceland, India, Japan and South Korea. (Taken from <http://www.bilaterals.org>, accessed January 12, 2009.)

<sup>55</sup> The U.S.-China Business Council, "US-China Trade Statistics and China's World Trade Statistics," <http://www.uschina.org/statistics/tradetable.html> (accessed January 11, 2009).

<sup>56</sup> U.S. Department of Treasury, "Major Foreign Holders of U.S. Treasury Securities," October, 2008, <http://www.treas.gov/tic/mfh.txt> (accessed January 11, 2009).

<sup>57</sup> Fifteen U.S. cabinet officials and agencies heads, along with 21 Chinese ministers and agency heads participated in the discussions.

<sup>58</sup> U.S. Department of Treasury, "U.S. Fact Sheet: Fifth Cabinet-Level Meeting of the U.S. – China Strategic Economic Dialogue," December 5, 2008, <http://www.treas.gov/press/releases/hp1316.htm> (accessed January 12, 2009).

<sup>59</sup> *CIA – The World Factbook – China*, January 22, 2009.

<sup>60</sup> Stratfor Global Intelligence, "Geopolitical Diary: For China, Grim Data and a Grimmer Economy," January 23, 2009.

<sup>61</sup> *CIA – The World Factbook – China*, January 22, 2009.

<sup>62</sup> Michael Lelyveld, "China Economy Plan Meets Political Needs," *Radio Free Asia*, November 19, 2008.

<sup>63</sup> Andrew Batson, "China Sets Big Stimulus Plan in Bid to Jump-Start Growth," *The Wall Street Journal*, November 10, 2008, <http://online.wsj.com/article/SB122623724868611327.html#printMode> (accessed January 14, 2009).

<sup>64</sup> Ariana Eunjung Cha and Maureen Fan, "China Unveils \$586 Billion Stimulus Plan", *The Washington Post*, November 10, 2008, 8.

<sup>65</sup> David Smick, "Dangers of a Curved World," interview by Kirk Shinkle, *U.S. News & World Report*, September 29/October 6, 2008, 76. David Smick is an international financial advisor, and author of *The World is Curved: Hidden Dangers to the Global Economy*.

<sup>66</sup> *The Central People's Government of the People's Republic of China Home Page*, Xinhua News Service "Premier: Chinese Economy to Continue Fast, Steady Growth," [http://english.gov.cn/2009-01/29/content\\_1216831.htm](http://english.gov.cn/2009-01/29/content_1216831.htm) (accessed February 4, 2009).

<sup>67</sup> "China's African Policy," *Forum on China-Africa Cooperation Home Page*, September 20, 2006, <http://www.focac.org/eng/zgdfzzc/t463748.htm> (accessed January 31, 2009).

<sup>68</sup> *Beijing Summit and Third Ministerial Conference of Forum on China-African Cooperation*, [http://english.focacsummit.org/2006-11/05/content\\_5166.htm](http://english.focacsummit.org/2006-11/05/content_5166.htm) (accessed January 31, 2009).

<sup>69</sup> These include doubling the Chinese level of assistance to Africa, building a headquarters for the African Union, cancelling all Chinese government loans owed by poor African countries, creating three to five trade and economic cooperation zones in Africa, deploying 100 top Chinese agricultural experts to Africa, building 30 hospitals, providing \$40 million in grants for anti-malaria drugs, deploying 300 peace corps-like volunteers to Africa, building 100 rural schools in Africa, training 15,000 African professionals, doubling the number of Chinese government scholarships for African students, condemning terrorism in any form, exploring ways to counter terrorism, and cooperating on traditional and non-traditional security issues. Taken from "Action Plan Adopted at China-African Summit, Mapping Cooperation Course," November 5, 2006, *Beijing Summit and Third Ministerial Conference of Forum on China-African Cooperation*, [http://english.focacsummit.org/2006-11/05/content\\_5166.htm](http://english.focacsummit.org/2006-11/05/content_5166.htm) (accessed January 31, 2009).

<sup>70</sup> U.S. Senate Committee on Foreign Relations, Subcommittee on African Affairs, *China in Africa: Implications for U.S. Policy*, 110.

<sup>71</sup> *Forum on China-African Cooperation*, [www.fmprc.gov.cn](http://www.fmprc.gov.cn) (accessed November 13, 2008).

<sup>72</sup> "Top Level Chinese Visit Marks Beginning of Construction of New AU Conference Center," *AUC News*, Issue 35. November 2008, <http://www.africa-union.org/root/ua/Newsletter/Publication%2035%20Nov%202008.pdf> (accessed January 31, 2009).

<sup>73</sup> According to the U.S. Senate Committee on Foreign Relations, Subcommittee on African Affairs, China is the second largest contributor of military personnel for peacekeeping operations in Africa.

<sup>74</sup> U.S. Senate Committee on Foreign Relations, Subcommittee on African Affairs, *China in Africa: Implications for U.S. Policy*, 5.

<sup>75</sup> *Ibid.*, 112.

<sup>76</sup> *Ibid.*, 9.

<sup>77</sup> "China-Africa Trade Volume Hits All Time High," January 20, 2009, *The China Economic Net home page*, [http://en.ce.cn/Business/Macro-economic/200901/20/t20090120\\_18008998.shtml#](http://en.ce.cn/Business/Macro-economic/200901/20/t20090120_18008998.shtml#) (accessed January 31, 2009).

<sup>78</sup> Economy, "China in Africa: Implications for U.S. Policy," <http://foreign.senate.gov/testimony/2008/EconomyTestimony080604a> (accessed October 26, 2008).

<sup>79</sup> "China's African Policy," *Forum on China-Africa Cooperation Home Page*, September 20, 2006, <http://www.focac.org/eng/zgdfzcc/t463748.htm> (accessed January 31, 2009).

<sup>80</sup> George W. Bush, *The National Security Strategy of the United States of America*, (Washington DC: The White House, March 2006), 35.

<sup>81</sup> Congressional Research Service, Library of Congress, *China's Foreign Policy and "Soft Power" in South American, Asia, and Africa*, 2.

<sup>82</sup> George W. Bush, *The National Security Strategy of the United States of America*, 42.

<sup>83</sup> Lionel Barber, "Transcript: Wen Jiabao", *The Financial Times.com Home Page*, February 20, 2009, <http://www.ft.com/cms/s/0/795d2bca-f0fe-11dd-8790-0000779fd2ac.html> (accessed February 4, 2009).

<sup>84</sup> Ibid.

<sup>85</sup> Ashley J. Tellis and Michael Wills, *Domestic Political Change and Grand Strategy*, 36.

<sup>86</sup> Chinese Communist Party, "White Paper on National Defense," [http://www.china.org.cn/government/central\\_government/2009-01/20/content\\_17155577.htm](http://www.china.org.cn/government/central_government/2009-01/20/content_17155577.htm), (accessed January 26, 2009).

<sup>87</sup> Economy, "China in Africa: Implications for U.S. Policy," <http://foreign.senate.gov/testimony/2008/EconomyTestimony080604a> (accessed October 26, 2008).

<sup>88</sup> Ashley J. Tellis and Michael Wills, *Domestic Political Change and Grand Strategy*, 28

<sup>89</sup> Joseph S. Nye, "'Think Again: Soft Power,'" February 2006, [http://www.foreignpolicy.com/story/cms.php?syory\\_id=3393](http://www.foreignpolicy.com/story/cms.php?syory_id=3393) (accessed November 9, 2008).

